CIEC Connecticut Industrial Energy Consumers

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TESTIMONY OF THE CONNECTICUT INDUSTRIAL ENERGY CONSUMERS SUPPORTING RAISED BILL NO. 275 "AN ACT CONCERNING ECONOMIC DEVELOPMENT TARIFFS" BEFORE THE ENERGY AND TECHNOLOGY COMMITTEE

March 8, 2022

Overview

The Connecticut Industrial Energy Consumers ("CIEC"), an *ad hoc* coalition of large commercial and industrial ("C&I") end-users which collectively employ thousands of Connecticut workers at numerous plant locations throughout the State hereby offers its comments supporting Raised Bill No. 275, *An Act Concerning Economic Development Tariffs*.

CIEC members collectively employ over 40,000 Connecticut workers at numerous locations throughout the State (close to 3% of the State's working population). The average median income for CIEC member employees well exceeds the State average for household median income of $74,168. With over 6,000 companies, Connecticut manufacturers and large commercial businesses account for over 12% of the State's economy, provide employment to more than 190,000 residents, and pay over $460 million in property taxes to the State's towns and cities.

CIEC members account for a substantial portion of all electricity consumed in Connecticut, with members accounting for at least 3% of the State's energy usage, annually. Significantly, CIEC members annually pay close to $100 million in energy costs. Energy is an integral component to members' operations in the State, and the effect of a $0.001, or "mill," increase per kilowatt hour ("kWh") results in an increase of hundreds of thousands of dollars for a single large C&I customer. Having access to reliable and quality power is vital to CIEC members' business operations and the economic competitiveness of the State of Connecticut.

This bill proposes to enable the State's utility regulator, the Public Utilities Regulatory Authority ("PURA" or "Authority"), to enter into a prescribed economic development rate with C&I customers as a means to incentivize energy intensive businesses to move to, remain in, and expand their operations in Connecticut. CIEC strongly supports this bill as a necessary and complementary step to ensuring the strength of the State's economy.

Energy Costs

As mentioned, CIEC members account for a substantial portion of all electricity consumed in Connecticut. Member companies have significant energy costs and small changes in rates can have a disproportionate impact on them as compared to smaller end-use consumers.

Significantly, energy costs in Connecticut far exceed the national average. For example, the electricity prices paid by industrial customers in Connecticut are nearly double the national average for similar customers.[1] The price of electricity places Connecticut businesses at a significant disadvantage with respect to businesses and manufacturers in other regions and nations. In fact, these high energy costs are a significant contributing factor to the decline in Connecticut's manufacturing and commercial sectors – resulting in the loss of thousands of jobs over the past decade. As PURA has acknowledged, additional rate increases "will . . . likely impact the decisions of more businesses to locate or expand in Connecticut."[2] These large customers are the backbone of the State's economy and they need lower-priced energy now.

The Importance of Economic Development Rates

Energy prices are a determining factor for some businesses with respect to making decisions to locate, expand, and/or maintain operations in a given geographic area. For energy-intensive businesses, electricity costs are a significant portion of operating expense. There currently is no economic development rate that can be offered to large customers that choose to locate and/or retain business production within Connecticut. CIEC underscores the importance of retention given that many large manufacturers have a global footprint and are continuously weighing the costs associated with remaining in Connecticut versus shifting operations to another geographic area with lower operating costs such as energy (Connecticut's electricity costs are nearly double the national average). Economic development rates will help bridge the gap for energy-intensive businesses to remain competitive in Connecticut, and around the world.

Many states already offer some form of economic development rate for electricity service. They incentivize economic development to preserve their base of economic activity as well as add to it. If local businesses leave to locate in more energy-friendly regions, it would impact Connecticut's local economy and jobs. Large customers leaving the State would concentrate utility costs on a smaller number of customers, thereby increasing utility costs to other customers.

Businesses face intense external competitive pressure from other companies that benefit from cheaper power in other jurisdictions. Businesses also face intense internal competitive pressure from other facilities within the corporate family for investment that maintains (or expands) operations in Connecticut while avoiding a shift of that investment to facilities outside of the state. Businesses plan investments over a long-term horizon (often, as much as 15 years). As the Committee has heard from ratepayers big and small that energy affordability is a real problem and the current outlook in Connecticut is bleak given high (and increasing) energy costs which will be factored into decisions on whether to continue investing in Connecticut facilities or shift those investments and jobs to other states.

As PURA Chair Gillett said last week, the energy cost crisis in Connecticut is akin to "death by a thousand cuts." The utility bill has become the primary vehicle to collect funding

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1 U.S. Energy Information Administration, Electric Power Monthly, Table 5.6.A Average Price of Electricity to Ultimate Customers by End-Use Sector (March 8, 2022) *available at*: https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_6_a.

2 Docket No. 06-03-02, *DPUC Investigation into Electric Load Retention Tariffs*, Decision, Decision (October 25, 2006) at 8.

for state policy initiatives and is also subject to so many surcharges, deferrals and reconciliations that customer bills are experiencing significant volatility before factoring in the cost of the actual commodity itself. When the wholesale costs of electric and natural gas commodities increase, which is what has happened recently, this only exacerbates the matter further.

Support for Raised Bill No. 275

For all the reasons stated above regarding the importance of an economic development rate, CIEC strongly supports proposed Raised Bill No. 275 and submits that it provides a way to incentivize businesses to weather the storm of State energy costs. Significantly, this bill would provide both new and existing customers with access to economic development rates when warranted. This is important, as not all stakeholders support the concept of offering an economic development rate to existing customers. As mentioned above, existing C&I customers are burdened with mounting global pressures with respect to facility locations and growth. Decisions for growth or gauging the general health of a particular facility are made based on a long-term outlook. Having the availability of economic development rates for C&I customers would support increased investment to existing facilities.

CIEC supports the proposed rate design and form of the discount as a fixed utility delivery bill credit or rebate of $0.02/kWh. A fixed credit will be administratively easy to accommodate and will not pose an undue burden for the utility. With respect to the term of the economic development rate, CIEC supports a 5-year period as providing adequate certainty for businesses to invest, especially if such a rate can be renewed for successive 5-year periods.

Lastly, CIEC supports the required commitments proposed from any business receiving an economic development rate (set forth in Section 1(b)) as being fair and in not only ratepayers' best interests but also in the State's best interests. Such commitments include continuing to make capital investments in the State as well as not relocating facilities or business locations through the duration of the agreement. The societal benefits associated with these two commitments are tremendous and will provide an economic benefit in the State and the localities surrounding such businesses.

CIEC proposes some technical changes to the bill that make it clear that at the outset, economic development rates are intended for both new and existing C&I customers. CIEC also proposes to provide PURA with the authority to set the eligibility standards for receiving an economic development rate, and to allow customers satisfying those standards to receive it. Lastly, given that PURA is currently considering economic development rates in Docket No. 17-12-03RE11 and a result of the directives included in section 5 of Public Act 20-5, *An Act Concerning Emergency Response by Electric Distribution Companies, the Regulation of Other Public Utilities and Nexus Provision for Certain Disaster-Related or Emergency-Related Work Performed in the State*, CIEC proposes language that provides PURA with the authority to implement rates that are more favorable than that included in proposed Bill No. 275. Attached to this testimony is a proposed redlined version of Raised Bill No. 275 suggesting the language modifications described above.

Based on the foregoing, CIEC overwhelmingly supports the Energy and Technology Committee's Raised Bill No. 275, and respectfully requests that the Committee include modifications to the bill consistent with CIEC's recommendations above and attached for incentivizing economic development. CIEC is committed to working with legislators, State agencies and other market participants to continue to implement solutions that assist in furthering the economic viability of the State, while also reducing the State's carbon footprint.

ATTACHMENT
CIEC Proposed Redlines

General Assembly

February Session, 2022

Raised Bill No. 275

LCO No. **1891**

Referred to Committee on ENERGY AND TECHNOLOGY

Introduced by:
(ET)

AN ACT CONCERNING ECONOMIC DEVELOPMENT TARIFFS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective October 1, 2022*) (a) In an agreement negotiated and entered into by the Public Utilities Regulatory Authority, or made during a proceeding or order initiated pursuant to section 16-19, 16-19e, 16-19oo or 16-19zz of the general statutes, the authority ~~may~~ shall develop eligibility criteria and approve an economic development rate for new ~~or~~and existing customers that petition the Public Utilities Regulatory Authority for such rate, subject to the following limitations:

(1) Any economic development rate agreement shall be granted for an initial period of five years, and may be renewed for additional five-year extension periods if agreed to by the authority;

(2) Any customer receiving an economic development rate shall be in a commercial or industrial rate class; and

(3) The economic development rate shall be structured as a fixed utility bill credit of two cents per kilowatt hour.

(b) Any economic development rate agreement shall contain the following:

(1) A commitment by the customer to make, on average, not less than ninety per cent of its historic three-year average of capital investment in the state, for each year of the initial five-year period that the agreement is in effect, and for each year during any subsequent five-year extension period. The historic three-year average shall be calculated based on the date the agreement is entered into.

(2) A commitment by the customer not to relocate its manufacturing or business premises, which are located in the state on the date the agreement is entered into, to a location outside of the state, for the entire period the agreement or any extension of the agreement is in effect.

(c) ~~If the authority approves an economic development rate agreement for one or more n~~New customers moving to the state and~~,~~ existing customers in the state who satisfy the same eligibility requirements shall be entitled to enter into~~ a~~ like agreements.

(d) The authority shall not approve an economic development rate for any customers except as authorized by this section.

(e) PURA may authorize a rate and/or agreement duration that is more favorable than that set forth in Sections 1(a)(1) and (3).

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2022*	New section

Statement of Purpose:

To limit the allowable utility rate discounts used for economic development and to require the Public Utilities Regulatory Authority to extend economic development rates to existing businesses if they offer them to new companies moving operations to the state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]